

Deregulation in Texas cost consumers \$700M this year, analysis finds (Energy and Environment Daily)

Deregulation of the Texas electricity generation market cost consumers approximately \$700 million over the past 10 months, according to an analysis conducted by Public Citizen recently.

The analysis concluded that Texas electricity customers who still pay TXU Energy's standard rate -- or "price to beat" rate -- were overcharged by \$41 per for natural gas delivery because their rate was not reflective of the recent decline in natural gas prices. Texas customers would have saved a total of \$434 million this year had TXU not overcharged. Reliant Energy's 1 million "price to beat" customers were overcharged by \$268 million this year, or an average of \$40.30 per month, according to the analysis.

The price to beat rate is the rate that former utility monopolies charge customers who have not chosen a competitive pricing plan. It is determined by the price of natural gas, but is not adjusted by the markets for the fuel. Former utility monopolies such as TXU and Reliant may reset the price to beat rate twice annually.

So when the price of natural gas rose to an all-time high last year after the hurricane season, TXU and other former Texas utility monopolies boosted the price to beat as natural gas markets rose above \$15 per million British thermal units. This year, prices for natural gas dropped by half, but TXU has not adjusted the price to beat to give ratepayers a discount.

"Since the deregulation of the electric industry, Texas electric consumers have been paying much more for electricity than it really costs to produce," Public Citizen's Texas Director Tom Smith said. "While this may be legal, it isn't right."

But TXU spokeswoman Sophia Stoller said the utility lost \$1.6 billion by employing the price to beat rate since deregulation because, when natural gas prices were rising, the price did not change fast enough for the company to keep up. Also, she said there are not 1.5 million customers on TXU's price to beat rate, as Public Citizen contends there are. She did admit though that the price to beat rate has been profitable for the utility this year. "The one thing we do agree on with [Smith], believe it or not, is the price to beat is broken," Stoller said..

"The study gave an incredibly selected snapshot," Reliant spokesman Matthew Benner said. "Over a longer period of time customers are fully benefiting" (Purva Patel, Houston Chronicle